Distr.
GENERAL

IDB.10/SR.4
16 November 1992

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Industrial Development Board

Tenth session

SUMMARY RECORD OF THE 4th MEETING

Held at the Vienna International Centre, Vienna,
on Tuesday, 3 November 1992, at 3 p.m.

President: Mr. CLARK (United Kingdom)
later: Mrs. MACHADO QUINTELLA (Brazil)

CONTENTS

Agenda item		Paragraphs
7	Guidelines for special trust fund projects (continued)	1 - 12
8	Mobilization of financial resources for industrial development (continued)	
9	The external debt and industrial development (continued)	
11	Organizational and staff structure of UNIDO	13 - 37
3	Progress report for 1992 on specific UNIDO activities	38 - 92
6	UNIDO environment programme	93 - 108

The meeting was called to order at 3.25 p.m.

GUIDELINES FOR SPECIAL TRUST FUND PROJECTS (continued) (IDB.10/8, IDB.10/10, IDB.10/15)

MOBILIZATION OF FINANCIAL RESOURCES FOR INDUSTRIAL DEVELOPMENT (continued) (IDB.10/20)

THE EXTERNAL DEBT AND INDUSTRIAL DEVELOPMENT (continued) (IDB.10/20)

1. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to questions raised in the debate, said, with regard to agenda item 7, that the design methods and appraisal tools currently applied by the Organization were designed for grant-aid projects, for example those financed from IPF (indicative planning figure) resources and the Industrial Development Fund (IDF) and by any other bilateral or multilateral aid agency. The statistics presented indicated that a substantial number of projects undertaken under the trust fund mechanism had conformed to the overall quality concept. It was not the case, as one representative had suggested, that only six projects conformed to quality standards. As document IDB.10/15 indicated, 68 per cent of the 50 projects for which appraisal memoranda had been issued conformed to quality standards, meaning that 34 projects met those standards. Furthermore, of the 47 projects for which appraisal memoranda had not been issued, 31 had never been approved or implemented. The remaining 16 consisted of 10 projects financed by third parties (the Governments of China, France, Japan, Norway and Russia) and six self-financing trust fund projects in Brazil, the Democratic People's Republic of Korea, the Libyan Arab Jamahiriya, Nigeria and Malaysia. For those 16 projects, the views and comments of the Programme and Project Appraisal Section had been incorporated by the Industrial Cooperation and Management Services Branch into the final project document to the extent possible and acceptable to the donors. In some cases, the UNIDO project format had not been acceptable to the donors, and some of the projects pre-dated the guidelines approved by the last General Conference session.

2. Trust fund projects were a new activity; the Organization had been learning through experience over the past years and the Secretariat was convinced that the statistics for those projects would progressively look even more favourable.

This record is subject to correction.

Corrections should be submitted in one of the working languages, set forth in a memorandum and/or incorporated in a copy of the record. They should be sent to the Head, Translation Service, room D0748.

In accordance with the rules of procedure of the Board, corrections may be submitted within seven days of the receipt of the record or of the closure of the session, whichever is later. Any corrections to the records of the meetings of this session will be consolidated in a single corrigendum, to be issued shortly after the end of the session.

V.92 58640 3907E

Distr.: 19 November 1992

3. With regard to the need to adapt appraisal methods referred to in paragraph 5 of document IDB.10/15, most self-financing trust fund projects focused on the provision of goods and services to individual factories (in both the public and the private sectors) in developing countries, with the general aim of improving their performance, capacity utilization and overall viability. UNIDO carried out such activities only with the support of the Governments of the developing countries concerned. In such projects the linkage of the factories' objectives to Governments' development goals was sometimes not obvious, and to that extent the appraisal tools needed to be adapted. In accordance with General Conference decision GC.4/Dec.11, UNIDO was testing objective-oriented project planning, and the tests carried out in the current year had revealed a need for the design methods and tools to be further adapted in the case of some self-financing trust fund projects.

4. With regard to the comments made concerning paragraphs 6 and 7 of the Director-General's bulletin (UNIDO/DG/B.73/Rev.1), those two paragraphs must be read in conjunction. Not only was the Area Programmes Division fully informed of any projects being developed; those projects were developed in consultation with the Area Programmes Division and with the relevant branches and sections of the Department of Industrial Operations and the Department for Industrial Promotion, Consultations and Technology.

5. Document IDB.10/15 was in response to General Conference resolution GC.4/Res.28 and was a report on the implementation of that resolution. All the points contained in the resolution had been covered in that document, including the revision of the Director-General's bulletin with a view to a complete and updated comprehensive and transparent regulatory framework. It was not clear in what way the document was not in line with the Director-General's bulletin UNIDO/DG/B.18/Rev.1. Bulletin UNIDO/DG/B.73/Rev.1 had in fact been drawn up after the Programme and Budget Committee had taken note of bulletin UNIDO/DG/B.18/Rev.1 and every care had been taken to ensure compatibility between the bulletins. The section on procedures in bulletin UNIDO/DG/B.18/Rev.1 was of direct relevance and had been elaborated in bulletin UNIDO/DG/B.73/Rev.1, which set out the administrative mechanism and procedures for the development, appraisal, approval and implementation of special trust fund projects. Regarding legal and financial issues, there were appropriate cross-references in bulletin UNIDO/DG/B.73/Rev.1.

6. Apart from measures to ensure operational flexibility so that UNIDO could respond effectively and speedily to the needs of industrial enterprises in the developing countries, no attempt had been made to give special treatment to trust fund projects. Such projects were in fact subject to stringent controls prior to their approval by the financial and legal services and the Programme and Project Appraisal Section.

7. With regard to items 8 and 9, the Secretariat had noted with interest the favourable comments on UNIDO's activities in those two important fields. Since the topics had first been introduced, good progress had been achieved in a number of areas, including the IPS programme. The IPS network undoubtedly constituted one of the Organization's comparative advantages and could be further used in efforts to link technical assistance projects and investment-related activities. African investment promotion institutions had recently held a meeting in Zimbabwe to share their national experiences and explore possibilities for linking their work to the IPS network. Other important activities included pre-investment and feasibility studies, which were leading to successful investment projects.

8. In the area of cooperation with regional development banks, activities with the European Bank for Reconstruction and Development (EBRD) and the Inter-American Investment Corporation were examples of the direction in which the Organization was moving. As regards the programme approach - i.e., the linking of technical assistance, investment orientation, investment promotion and policy advice - UNIDO would continue to develop that tool further and was in close contact with UNDP to ensure that it was developed in the right direction. Attention would be paid to strengthening activities for the Industrial Development Decade for Africa (IDDA), in particular in the preparation of the budget for the biennium 1994-1995.

9. It should be emphasized that the mobilization of financial resources and the external debt were fully taken into consideration in UNIDO's programme.

10. Mr. MACHIN (United Kingdom), speaking on behalf of the European Community and its member States, said that the Community had recently discussed the delays in implementation of the new successor arrangements, was very concerned about the matter and would take appropriate action in New York to help solve the problem. While there were valid reasons for some of the delays referred to by the UNDP representative, all possible steps needed to be taken to introduce the scheme without delay, since the situation was becoming critical both for UNIDO and for other agencies.

11. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) expressed appreciation for the action proposed by the European Community, which was needed since the approval rate in the current year had fallen drastically and projected income for the operational budget from UNDP was correspondingly low.

12. Mr. WOTAVA (Austria) said that his delegation considered the rate of implementation of the successor arrangements to be slow. He fully shared the opinion of the United Kingdom delegation that the matter had to be taken up in New York. Although his own delegation had initially not been enthusiastic about the support cost arrangements, now that a decision had been taken implementation must proceed far more quickly, or the specialized agencies would suffer considerably.

ORGANIZATIONAL AND STAFF STRUCTURE OF UNIDO (IDB.10/24)

13. Mr. SIAZON (Director-General), introducing the item, said that, having already spoken on the topic in his introductory statement to the Board, he merely wished to recapitulate the decisions being proposed, which had undergone slight amendment. Essentially they were that the Roethlisberger decision should no longer be operative, that UNIDO should have three departments and that the next Director-General, in consultation with the Board, would negotiate the

apportionment of the departments and the number of deputy directors-general that the Organization would have, and would determine the divisions, branches and sections within those departments.

14. Mr. KELLAND (Observer for Denmark), speaking on behalf of the Nordic countries, said that they felt that the question of the organizational and staff structure of UNIDO should not be discussed in detail at the current meeting and that a number of the relevant decisions should be postponed until the new Director-General had been appointed. The new Director-General must be allowed to make a significant impact on the new structure. However, the overall framework for a new structure should be the subject of a recommendation by the Board at the current session.

15. In view of developments over the previous eight years, the relevance of the Roethlisberger agreement was increasingly called into question. The size of UNIDO's operations did not justify more than one deputy director-general and the current number of five was considerably harming the Organization's image. The correspondingly excessive number of departments had led to fragmentation of UNIDO Headquarters, with detrimental effects on efficiency and effectiveness. In the opinion of the Nordic countries, no circumstances could be foreseen that would justify a structure comprising more than three departments.

16. Mr. WOTAVA (Austria) said that his delegation regarded the restructuring of the Organization as one of the central issues of the current meeting, as it had been at many previous meetings, the problem having originated in 1985 when UNIDO had become an independent agency and had been burdened with an unmanageable structure and a top-heavy leadership. With regard to the departmental arrangement of the Organization, he felt that a three-tier construction would be the most appropriate; that would provide for the functions of policy planning and advice and the operational element of UNIDO's work, while also furnishing the necessary administrative support. The proposal contained in document IDB.10/24 appeared very reasonable in its basic orientation. Ideally, an organization of UNIDO's size and nature should have one Director-General and one deputy director-general, the latter empowered to give full support to the head of the Organization and represent him in his absence. Most other comparable international organizations survived with a slim top management. Support in the management of the Organization should be provided by the introduction of assistant directors-general, each of whom could head one department.

17. In his view, the minimum that could realistically be achieved was a reduction in the number of departments to three and a revision of the Roethlisberger agreement (decision IDB.1/Dec.11), thereby providing the new Director-General with a better starting-point from which to tackle the necessary reorganization of UNIDO. There might be arguments for further postponing a decision, but the Organization continued to suffer while the current situation continued and, in any case, the Board had been given a mandate by the last General Conference session.

18. Mr. GUO Xianzhi (China) said that his delegation had carefully read the Director-General's report on the item and wished to express its appreciation to the Secretariat for the efforts it had made to restructure the Organization. It believed that the changes that had occurred in recent years in the internal and external environment and the difficulties facing UNIDO necessitated a timely reform of the Organization's structure in order that it could fulfil its tasks effectively. His delegation had no objections to the proposal for a three-department structure.

19. Ms. OK (Turkey) said that she believed that a new compromise was needed to reduce the number of deputy directors-general to three or to one. However, a sound organizational structure depended on a sound staff structure if it was to operate efficiently. It was therefore necessary to attempt to identify the present and future role of UNIDO, taking into account the expectations of Member States including new Members, in order to determine how the Organization should adjust itself to new needs and changing circumstances. A comprehensive study along those lines would indicate the type of staffing UNIDO required; that might lead to the elimination of some departments and the strengthening of others. Some staff retraining would probably prove necessary.

20. The demand for UNIDO services in technical cooperation delivery and project approval had significantly increased over the last four years. Consequently, the restructuring of the Organization should aim at strengthening its technical thrust in an increasingly competitive environment. A further important principle was to ensure organizational simplicity and a clearer delineation of responsibilities.

21. Mr. MAÇHIN (United Kingdom), associated himself with the views expressed by the representatives of Denmark and Austria. His Government had long believed that there was a strong case for reducing UNIDO's structure to a three-department structure by the earliest possible date. There had been years of delay and missed opportunities, although few were happy with the present ossified state of UNIDO's structure, which had resulted in a loss of efficiency and effectiveness and a waste of valuable resources. The money contributed by Member States had financed and continued to finance a departmental structure which was over-bureaucratic. For an organization the size of UNIDO, five deputy directors-general were clearly too many.

22. The Director-General's proposals were a step in the right direction and, although the United Kingdom still believed that one or a maximum of two deputy directors-general would be adequate, it remained open to other suggestions. Clearly it would be premature to try to take the issue to a conclusion at the present meeting, given the strong body of opinion supporting the postponement of any action until the question of the new Director-General had been settled. In that respect, it was critically important that the new incumbent should have a free hand to institute structural reform and reorganization upon taking office. He therefore wished to propose a simple change that would avoid the kind of arguments that had taken place in the past. It seemed clear that the Fleischhauer agreement and the Roethlisberger decision had now outlived their usefulness, so all the Board needed to do was to set a term to their validity. He therefore proposed that it should consider recommending to the General Conference that the Roethlisberger decision in particular should have no further force after 31 December 1993.

23. Mr. von KOPPENFELS (Germany) said that his delegation was convinced that continued observance of the Roethlisberger decision had become a major obstacle to the enhancement of UNIDO's efficiency. The number of departments should be reduced to three at most in order to put an end to the present fragmentation. Fewer departments, each with a professional manager at its head, the delegation of responsibility and accountability to lower levels, effective coordination among operational units and avoidance of duplication would improve UNIDO's efficiency and make for greater impact on industrial development in the developing countries. Those reforms would help to give UNIDO the image it needed to attract additional funds for its operations. In conclusion, he associated himself with the remarks made by the representatives of other European Community member States.

24. Mr. TALIANI (Italy), after associating himself with the remarks made by the representatives of the United Kingdom and Germany, said that the Roethlisberger decision and the Fleischhauer agreement were out of date and highly detrimental to the functioning of UNIDO. He would not go into the details of the new organizational structure proposed by the Director-General, since they were matters that should be taken up by Governments in cooperation with the next Director-General. He understood that the United Kingdom delegation was preparing a draft decision on the matter and looked forward to supporting it.

25. Mr. MA'AJI (Nigeria) fully endorsed the goals of the proposed reorganization of UNIDO, namely clarity, simplicity, increased technical cooperation and a greater country focus. Nigeria's belief that the Organization should adjust itself to the new tripartite system of cooperation between UNIDO, UNDP and recipient Governments had been reinforced by recent developments in the United Nations system. Against that background, his country had long supported the Director-General's proposal for three clusters of organizational units: policy, administration and operation, which incorporated the principles of efficiency and effectiveness without sacrificing UNIDO's basic goals.

26. Any new structure should be built around UNIDO's priority activities. Accordingly, technical cooperation should continue to be the focus of the structure, with other activities geared towards supporting it. Given the paramount importance of the country focus, all technical cooperation activities should be managed by the Area Programmes Division, which would ensure continuity and accountability in any particular country, subregion or region. In addition, programme development and management, industrial resource mobilization and industrial support operations should be put together in a single department. He therefore welcomed the integration of field representation and cooperation in the Area Programmes Division, which would reinforce the country focus. Indeed, it might be useful to place all the regional and interregional advisers within the same framework.

27. He was opposed to retaining the present number of deputy directors-general and believed that the case for limiting their number to three was most persuasive. The primary consideration should be that all officials of the Organization, at whatever level, should earn their keep. Whatever the final decision, his delegation reiterated its very strongly held position that the principle of equitable geographical representation should be applied, as far as possible, at all levels within the Organization, particularly in respect of the most senior positions. He felt confident that particular account would be taken of the needs of the African countries and hoped that they would always be given an opportunity to propose candidates for any vacant posts.

28. Mr. SKRIPKA (Russian Federation) considered that the question of a new organizational structure for UNIDO raised not just political issues but ethical ones at a time when a new Director-General was to be appointed. He could not agree with the statement in paragraph 11 of document IDB.10/24 that the key political issue requiring resolution was the number of deputy directors-general and the allocation of departments to them. That ran counter to the views of many Member States as well as to the opinion of the Special Advisory Group to the Director-General recorded in paragraph 8 of annex II to the document in question. He also considered that there were insufficient grounds for the statement in paragraph 15 that it had become apparent during the fourth session that Member States might accept an organizational structure with three departments, each headed by a deputy director-general. Many Member States had in fact opposed any change to the principle of equitable geographical distribution, while others had called for a study of UNIDO's place and role in the new world situation before any changes were made to its structure. However, he was in favour of continuing the consultations on ways of improving UNIDO's organizational structure, which should be carried out with the active participation of the new Director-General.

29. Mr. SAENZ DE TEJADA (Spain) said that his country firmly believed that the structure of UNIDO was in urgent need of reform at all levels, so that the Organization could carry out its tasks effectively. Knowing the difficulty of such a process due to the fears of some of losing influence or representation, Spain had always shown great flexibility in the matter. Thus, although it felt that UNIDO could manage with only one deputy director-general, it had supported a proposal for two deputy directors-general and three assistant directors-general and was now prepared to consider the present proposal for three deputy directors-general. Any solution that might ultimately be adopted would have to take into account such factors as the poor financial situation, which seemed to have become chronic, and the Organization's future responsibilities. Before the question of a new structure for UNIDO could be settled, it was essential to resolve the problem of appointing a new Director-General as a matter of urgency.

30. Mr. MARTIN (United States of America) said that UNIDO clearly needed greater organizational flexibility in order to carry out its mission in a rapidly changing environment. For that purpose, the Roethlisberger decision must be rescinded in order to reduce the number of departments and deputy directors-general, and new priorities must be set in terms of UNIDO's mission. At the same time, the programmes furthest removed from the production and delivery of technical assistance should be eliminated or severely cut back. In preparing the proposed budget for 1994-1995, UNIDO's managers should reduce expenditure by approximately 10 per cent in comparison with the

previous biennium. In so doing, they should be guided by the ranking of the six programme instruments presented in document PBC.8/18.

31. In that connection, he drew attention to the statement of the staff of UNIDO in document IDB.10/36, which proposed certain crisis measures such as "restrictive travel", especially for those who were simply "waving the flag" o UNIDO. In his view, it would seem appropriate for UNIDO to apply a "travel freeze" and to adopt procedures more stringent than those of the United Nations for per diem payments.

32. Mr. CHO (Republic of Korea) said that, given the emerging challenges on the world scene and the rapidly changing needs of Member States, reform of UNIDO's organizational and staff structure was both essential and urgent. The purpose of the reform should be to achieve organizational simplicity, strengthen the Organization's capacity and technical expertise, and enhance the quality of services. However, despite the general understanding of the need for change, the Board was still far from a consensus on the matter. He sincerely hoped that agreement would be reached as soon as possible, in a spirit of compromise, so that UNIDO could respond to the rapidly changing needs of the developing countries with enhanced operational efficiency and organizational performance. In that regard, he commended the continuing efforts of the Director-General and believed that his revised proposal for a three-department and three deputy director-general structure could be regarded as a starting point for further deliberations.

33. Mr. BALAKRISHNAN (India) considered that a decision on the restructuring of UNIDO should be deferred until a new Director-General had been appointed. It was important that the new incumbent should be closely associated with the deliberations of the Board on the matter so that he might have a clear understanding of the wishes of Member States.

34. He noted that a structure with three deputy directors-general had been proposed, which would make it necessary to re-examine the question of geographical balance among high-level posts and to evolve a new consensus taking into account the interests of the various groups concerned. Furthermore, certain functional problems should be clarified. It would seem, for instance, that under the proposed new structure there could be a danger of overloading the deputy directors-general with responsibilities. It was not clear whether they would be able to deal effectively with all the matters entrusted to them. Effective supervision could only be exercised over a reasonable span of activities and widening that span might prove counterproductive. In that connection, it might be useful to study the organizational structures of other United Nations agencies that were comparable with UNIDO.

35. Mr. TANAKA (Japan) said that there seemed to be agreement on the need to restructure UNIDO so that it could meet the emerging needs of developing countries in the field of industrial development. Japan had long supported proposals aimed at such reforms, to which it believed the Fleischhauer agreement and the Roethlisberger decision were the main obstacles. They should therefore be reviewed. In his view, the Director-General's proposal for a three-department structure with three deputy directors-general deserved the widest possible support.

36. Mr. SIAZON (Director-General) said that he should perhaps make it clear that his proposal for the restructuring of UNIDO was not contained in annexes I or II to his report (IDB.10/24), but in paragraph 18. Essentially, the proposal was that the Roethlisberger-Fleischhauer decisions should be revoked, that the Conference should decide to establish a three-department structure with three deputy directors-general and that it should be left to the Board to continue consideration of the long-term reform of the UNIDO structure in the context of system-wide reforms. As he had indicated many times, while he had some sympathy for equitable geographical representation at the top of the Organization, he believed that the main preoccupation of Member States should be the efficiency and effectiveness of UNIDO. At a time when the United Nations was undergoing major reform, UNIDO, which had been considering the matter since 1985, should now take a decision on the general principles; then, after a new Director-General was elected, he would have the opportunity of deciding on the finer aspects of the restructuring exercise in consultation with the Board.

37. In his view, the time had come to set aside regional or subregional interests for the common good of the whole membership. Difficult times called for difficult decisions, and they should be taken now.

PROGRESS REPORT FOR 1992 ON SPECIFIC UNIDO ACTIVITIES (IDB.10/18 and Add.1)

38. The PRESIDENT pointed out that under item 3 the Director-General was submitting progress reports on some programmes and activities which were not the subject of a specific agenda item but on which either the General Conference or the Board had expressed the wish to see a report. Thus information provided in the 1991 annual report had been updated for activities relating to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, the development of human resources, and the UNIDO energy programme.

39. Mr. MACHIN (United Kingdom), speaking on behalf of the European Community and its member States on the subject of UNIDO's energy programme, said that UNIDO should take account of energy-related issues in all its activities, such issues being an integral part of any economically, socially and environmentally sustainable industrial development programme. He noted from the report that, during a period of less than four months, UNIDO had carried out numerous, technically varied activities touching on several aspects of energy-related assistance. He had been particularly interested in the account of projects undertaken at the specific request of the Governments concerned. It was gratifying to note that UNIDO's energy programme had recently developed a more pragmatic approach with the necessary flexibility that allowed energy-related considerations to be taken into account at an early stage in the preparation of programmes and industrial projects.

40. He welcomed the adoption, on a project-by-project approach, of technological changes aimed at the most economical supply and optimal use of energy, with the marketability of the product as the ultimate goal. In that connection, he urged UNIDO to maintain and further increase its endeavours in inter-agency cooperation, since operational links with other

organizations were becoming more and more necessary.

41. He had been interested to learn of the paper "Energy in the 21st century: New challenges and goals" prepared by UNIDO in cooperation with the International Atomic Energy Agency, the International Institute for Applied Systems Analysis and the Organization of Petroleum-Exporting Countries for presentation to the next World Energy Council conference in Madrid; he would be grateful if the Director-General could make it available in Vienna.

42. Ms. MAMBULE (Uganda) said that her Government recognized the paramount importance of human resource development for the economic and industrial development of nations, whose economies could not be transformed until an indigenous class of industrialists and entrepreneurs emerged. In that connection, she stressed UNIDO's leading role in promoting industrial development through strengthening management and accelerating the acquisition of scientific and technological know-how. She therefore requested the Director-General to continue to emphasize human resource development in all UNIDO's activities. Moreover, the integration of women in industrial development should be accorded high priority in human resource development strategies. The Industrial Human Resource Development Branch should be strengthened and given full support in its work.

43. The UNIDO Country Director (UCD) programme also had a very important role to play in human resource development. Uganda welcomed the recent appointment of a UCD and trusted that the post would be maintained for several years. In conclusion, she appealed to Member States to provide new or further voluntary contributions to the UCD programme in order to enable UNIDO to maintain the current number of UCDs.

44. Mr. PAREDES (Peru) said that it was clear from document IDB.10/18 that definite progress had been made in the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean. Its projects should be implemented in such a way as to promote the overall objectives of industrial development in the region. The document showed that the Secretariat had taken into account some of the key points which had emerged from the consultations held with the region; for example, subcontracting exchanges had been established in 13 countries, and the subcontracting programme was being extended to Central America and the Caribbean. He expressed his gratitude to the donor countries whose contributions had permitted the implementation of the industrial subcontracting and capital goods projects. He appealed to all potential donors to assist in the launching of other programmes that would enhance industrial development in the region, for instance in the field of agro-industry and biotechnology, as well as projects covering training, software and new materials.

45. The success of the Regional Programme would be ensured if an effective mechanism for communication was established between the Secretariat and donor and recipient countries in order to monitor the development of the different projects and find the necessary funding for such projects. The various national and regional organizations concerned should be involved in the process and due account taken of the specific conditions and requirements of the different economies.

46. Mrs. MARRERO (Cuba) said that the agenda item under discussion was of particular interest to her delegation, which was grateful to the Secretariat for the information provided in document IDB.10/18 on activities carried out in compliance with General Conference resolution GC.4/Res.6.

47. However, she was concerned that the mechanisms for cooperation between UNIDO and regional organizations like the Latin American Economic System (SELA) might not have functioned in connection with the First Regional Forum on Industrialization. The General Conference, in decision GC.4/Res.6, had called for coordination between UNIDO and SELA. At its session at Caracas in September 1992 the Council of SELA had adopted a decision establishing the organization's work programme for 1992-1993 in which reference was made to UNIDO's tasks in coordinating activities for the First Regional Forum on Industrialization. She would be grateful for information on what had been done in that regard.

48. The information provided in document IDB.10/18/Add.1 on the energy programme was extremely interesting to her delegation in view of the importance to the developing countries of the activities described. However, in referring to cooperation among organizations, the document made no mention of possible cooperation between UNIDO's energy programme and the Latin American organizations working in the same field. If no cooperation agreements existed, it would be appropriate to establish them.

49. Her delegation supported UNIDO's work on the development of human resources and all endeavours to strengthen the relevant programmes.

50. Ms. OK (Turkey) said that Turkey recognized the crucial importance of human resource development in industry and welcomed the approach taken in the draft medium-term plan. She considered that human resource development should continue to be accorded priority.

51. Her Government was making every effort to strengthen its own training capacities and providing training to other developing countries. She recalled the cooperation that had been taking place between UNIDO and Turkey in the area since 1979. The wide range of training programmes carried out by Turkey benefited the least developed and African countries above all. Staff trained in Turkey represented nearly 8 per cent of the total number of participants in the different UNIDO training activities. Turkey was not only the host country with the highest number of programmes organized by UNIDO, but also the country with the largest number of group training fellows per year.

52. Following the break-up of the Soviet Union, Turkey had established bilateral and multilateral cooperation with the member States of the Commonwealth of Independent States. The areas for cooperation identified included human resource development and training in food processing, cotton and textiles, and the construction industry. Turkey was concentrating its technical assistance on the new republics in Central Asia.

53. The Turkish Government had established several operational units to provide technical assistance to the developing and least developed countries, with the emphasis on exchange of technical know-how and experience. Recently, a technical cooperation development agency had been

set up within the Ministry of Foreign Affairs, staffed with qualified experts who were to coordinate and prepare assistance projects for such countries.

54. Mrs. Machado Quintella (Brazil) took the Chair.

55. Mr. HOSSEIN-ZADEH (Islamic Republic of Iran) said that his delegation, while recognizing the overall improvement in project delivery by UNIDO in 1991, shared the concern of other Member States regarding the 20 per cent drop in project approvals in the second year of the biennium. He sought clarification from the Secretariat in that regard.

56. As to human resource development and the transfer of new technologies, although he appreciated the organization of training courses and workshops by UNIDO in the developed countries, he considered that some of the developing countries might host study tours, fellowships or other training activities which would benefit developing countries.

57. The Islamic Republic of Iran had constantly supported and contributed to UNIDO's programmes in the area of economic and technical cooperation among developing countries (ECDC/TCDC) and had organized several training courses, workshops and conferences. For instance, two international conferences on rubber technology had been held in Iran, as a result of which a regional rubber engineering and research centre would be established in Teheran.

58. Referring to the Sixth Meeting of the Ministers of Industry and Technology of ESCAP, held in April that year, he said that through the implementation of the Teheran Declaration, and with the assistance of the UNIDO/ESCAP division, cooperation in the Asian region would be greatly enhanced and the exchange of experience and expertise greatly facilitated. A focal point for coordination of ECDC/TCDC activities had been set up in Teheran, which focused in particular on West Asian countries.

59. Since training in state-of-the-art and intermediate technologies played an important role in enhancing the industrial development of developing countries, and in particular the newly independent republics of the former Soviet Union, his delegation had expected UNIDO to allocate greater funds for that purpose and was disappointed at the decrease of approximately 25 per cent under that heading in the 1991 budget.

60. His country had strengthened its links with the Central Asian republics through the signing of numerous memoranda of understanding and agreements relating to industry, the economy and culture. The new republics had joined the Economic Cooperation Organization (ECO) and it was hoped that the scope of ECO activities in the region could be expanded under the ECDC/TCDC mandate.

61. Lastly, he suggested that, in order to make up the current financial shortfall, UNIDO should seek the assistance of agencies such as the ILO International Training Centre so as to upgrade the skills of experts and trainers in the developing countries. The latter, in turn, should increase their voluntary contributions for the implementation of training programmes and host more training programmes in their countries, in cooperation with UNIDO.

62. Mr. FONTES BRAGA (Brazil), referring to the Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean, said that the programme for the capital goods sector in Latin America should be accorded priority, since it was of particular importance to the region. However, it had encountered some difficulties recently, due in particular to dwindling contributions from donor countries. He was aware that since June 1992 the Programme had been geared towards offering maximum technical support to the participating countries, using the financing resources available. Moreover, UNIDO had conducted research into the strategies adopted by Latin American entrepreneurs when upgrading their businesses to cope with foreign competition.

63. Clearly, the Regional Cooperation Programme could not bring about the complete modernization of all Latin American industries, but was intended to provide high-quality technical assistance which would enhance the process and sustain modernization. The main benefits of regional industrial development would be job creation and a higher standard of living for the population as a whole. He therefore hoped that donor countries would support UNIDO's efforts in connection with the Programme, particularly since the modernization and development of Latin American industry would promote the exchange of goods and technologies at the international level. Lastly, industrial development would help to slow down the current trend towards migration throughout the world.

64. He appreciated the Secretariat's progress reports, but stressed the need for the countries concerned to be kept up to date on the progress of the Programme. He hoped that other programmes under consideration for Latin America would be provided with adequate funding, as soon as possible, in order to ensure their speedy implementation.

65. As to the industrial subcontracting programme, he expressed his satisfaction with the results achieved so far. The importance of the programme was borne out by the request for its extension to Central America and the Caribbean, which he hoped would meet with success. It could not be denied that the programme had furthered intraregional industrial cooperation.

66. With regard to the development of human resources, he expressed his appreciation of UNIDO's efforts in the area, particularly in the developing countries. None the less, he stressed the need for unflagging efforts in order to avoid any overlapping in training activities. He also underlined the importance of enhancing ECDC/TCDC in human resource development activities and welcomed efforts being made in that regard. Priority should be given to South-South cooperation, bearing in mind the technological capacities of some developing countries in certain areas.

67. He was in favour of all programmes and projects encouraging the greater participation of women in the industrial development of their countries. The greater integration of women in the production process would help to eliminate social discrimination, thereby contributing to development as a whole. UNIDO had a significant role to play in that area. As to managerial training, cooperation between UNIDO and other organizations should be encouraged. The

industrial component of the training package to be developed by ILO would include UNIDO's technical experience in the areas of industrial management, quality management and industrial competitiveness. UNIDO's activities in the field of energy should be coordinated with other agencies in order to avoid any duplication of effort.

68. Mr. BYKOV (Russian Federation) welcomed the comprehensive approach adopted by UNIDO in its Regional Cooperation Programme for the Industrial Recovery of Latin America and the Caribbean both with regard to the actual cooperation as well as the solutions found for the funding of programmes and projects. He also welcomed UNIDO's initiative in establishing contacts with the Inter-American Development Bank to facilitate the implementation of the industrial subcontracting programme and investment promotion in the region. He also noted with satisfaction progress made in the field of human resource development. However, when implementing such programmes, it was important to take into account the link between human resource development and the transfer of modern technology as well as economic and technical cooperation between developing countries. Another point worthy of note was UNIDO's efforts, in spite of dwindling resources, to broaden the scope of activities under the programme. It should be borne in mind that not only the needs of developing countries for the training of qualified personnel had to be taken into account, but also UNIDO's actual capacity to satisfy those requirements. He considered the information manual prepared by UNIDO on the training of qualified staff for industry particularly useful and would endorse any proposal to expand the content of that guide.

69. The UNIDO energy programme reflected the comments made at the ninth session of the Board as well as the recommendations of UNCED concerning the ecological aspects of the energy programme. He would support UNIDO's efforts to establish closer cooperation with other international organizations concerned with energy and the protection of the environment. In that connection, he noted that efforts to implement the UNIDO energy programme were being hindered by lack of resources. He hoped that programmes similar to those being implemented in the African countries would be developed for Eastern Europe, as they would undoubtedly have a positive effect on the economic development of those countries.

70. In conclusion, he welcomed UNIDO's participation in the preparation of the report "Energy in the 21st century: New challenges and goals", in cooperation with other organizations, and endorsed the request that the report should be made available to the members of the Board.

71. Mr. SZIVOS (Hungary), referring to activities relating to the transfer of new and advanced technologies, informed members that the tenth course on biomedical equipment maintenance and repair had been held that year in Budapest. The Hungarian-UNIDO National Committee had been working on a new concept which focused on the maintenance and repair of highly sophisticated and computer-controlled medical equipment. Suitable training documents would be prepared which could be used in other training centres. The course itself would be launched in 1994. Regarding the transfer of advanced technologies, he said that a special three-week training course on food quality inspection and control would be launched in the autumn of 1993.

72. UNIDO's efforts in connection with the new energy programme were greatly appreciated. It was both timely and essential for UNIDO to include energy efficiency and its environmental implications in the programme, in keeping with the UNCED recommendations. In conclusion, he said that, although he recognized the importance of the results described in the progress report for 1992, the fact that only projects of secondary importance had been carried out in 1992 should not be overlooked.

73. Mr. FADLALLA (Sudan) welcomed UNIDO's energy programme and hoped that it would be maintained. It was of paramount importance above all to the least developed countries, which had particular problems relating to infrastructure and equipment. Action was clearly required by UNIDO, which should assist such countries in making the best possible use of available sources of energy as well as identifying new sources. Progress made in the area would ultimately benefit agriculture, agro-industry and the food-processing industry. In conclusion, he appealed for new donors to the programme.

74. Mr. BALAKRISHNAN (India) thanked the Secretariat for the progress report for 1992 on specific UNIDO activities (IDB.10/18). His delegation welcomed the Secretariat's efforts to focus greater attention on certain aspects of human resource development as mandated by the fourth session of the General Conference, despite financial constraints. However, should it be necessary to define priorities in the face of diminishing financial resources, his delegation suggested that the highest priority be given to activities relevant to the transfer of new and high technologies which could improve productivity and utilize capital, energy and natural resources more efficiently, while safeguarding the environment.

75. In his delegation's view, the Secretariat had correctly identified its role in managerial training after consultations with other organizations of the United Nations family. It was appropriate that UNIDO should coordinate its activities with ILO in setting up a network of managerial training institutions in Member States. His delegation also suggested that UNIDO's guide to training opportunities for industrial development should be updated at regular intervals and, if possible, expanded.

76. He thanked the Director-General for the report on UNIDO's energy programme (IDB.10/18/Add.1). His Government was keenly interested in a feasibility study for establishing a lignite mining and power generation facility, as mentioned in paragraph 8 of the document, and requested UNIDO to continue its efforts to develop the project and secure funding for it.

77. His Government also attached high priority to promoting new and renewable energy resources and welcomed UNIDO's efforts to establish an international network for the exchange of information on such resources. His Government hoped that the network would enable developing

countries to make full use of technology, plant and machinery for exploiting non-polluting energy resources based on solar energy, biomass and hydrogen. Another important area which was receiving increasing attention in India was energy auditing, particularly of industrial enterprises. Such activities could result in a substantial reduction of energy consumption and in the identification of highly cost-effective energy efficiency improvement measures. It would also be useful if information on such measures could be shared among different countries on a sectoral basis.

78. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development), replying to questions on human resource development, said that the Secretariat had noted with interest the positive reaction to the human resource development programme. Human resource development was a priority area of the medium-term plan and would receive great attention. A number of programmes were being carried out by various Secretariat units.

79. The Secretariat had noted the point made by the representative of the Islamic Republic of Iran that more training courses should be carried out in developing countries and the fact that Iran had set up a training centre on rubber technologies. As the representative of Turkey had pointed out, similar activities had been carried out for many years in her country and UNIDO was certainly interested in organizing programmes in the developing countries as well. The Secretariat had noted with appreciation the offers to hold training courses.

80. Turning to the Regional Cooperation Programme for Latin America and the Caribbean, he said that the First Regional Forum on Industrialization was tentatively scheduled for mid-1993. The Forum was covered by a recently signed agreement, and the Regional and Country Studies Branch had just completed the first outline of a UNIDO study on industrialization for Latin America which would be presented at the Forum. Work was thus well under way in that regard.

81. He had noted the comments of the representative of Brazil on the industrial subcontracting programme. The matter would be followed up.

82. Mr. de MARIA y CAMPOS (Deputy Director-General, Department of Industrial Operations) took note of the interest expressed during the discussions. Human resource development was clearly a high priority for all Member States and was considered a strategic factor in industrial development by UNIDO and other international organizations. Both developed and developing countries could play an important role in training and in diffusing their experience to countries that had not yet reached the same level of development.

83. Unfortunately, the funds hitherto available in UNIDO were not adequate to carry out the goals assigned to it. From the comments made it was obviously important to ensure that the necessary funds were made available in future. So far, most of the resources had come from the regular budget and, to a limited extent, the operational budget. Under the new UNDP successor arrangements, the training component would fortunately be given importance, although the arrangements were not yet clear. Through the Industrial Development Fund many countries were making available resources for human resource development. Nevertheless, in future it was hoped that the Organization's capabilities would be strengthened to allow it to cope with the demands of a more globalized world where privatization and environmental and energy issues required new skills and capabilities from UNIDO in order to assist countries to industrialize in a better way. A big effort was needed to establish new structures and to learn from other organizations and from new approaches now available from modern communications media, in order to satisfy the needs of the least developed countries, especially in Africa, and of small and medium enterprises.

84. As to the questions raised in the debate, the Secretariat would do its best to use the experience offered to it, existing cooperation with other organizations, especially UNESCO, ILO and regional bodies, would certainly be reinforced.

85. Mrs. TCHEKNAVORIAN-ASENBAUER (Director, Industrial Operations Technology Division), replying to comments on the energy programme, said she was grateful for the useful points made.

86. In accordance with the request made by several representatives, the paper entitled "Energy in the 21st century: New challenges and goals", prepared by UNIDO in cooperation with other organizations, would be made available to delegations.

87. Replying to the representative of Cuba, she said that UNIDO had participated in a meeting in Venezuela in March 1992 to discuss energy policies in Latin America. Cooperation on new and renewable energy had already been established with Latin America and would be developed.

88. In reply to the point raised by the representative of Brazil concerning coordination with other agencies, she said that in view of the limited funds available UNIDO was taking such coordination very seriously. It was already cooperating very fully with all the agencies working in energy programmes but would make further efforts to ensure that no overlapping occurred.

89. She thanked the Hungarian representative for the support he had expressed. Despite limited funds, UNIDO had in-house capability to identify the requirements of developing countries and had been successful in finding additional financing. In a short period, programmes had been developed for 14 African countries, with major contributions from several donor countries. A detailed document on energy requirements for Africa would be available at the end of the month.

90. She assured the representative of Sudan that due attention would be given to the least developed countries. UNIDO was developing a programme on new and renewable energy sources and biomass which would be of particular significance to agriculture.

91. In reply to the representative of India, she said that UNIDO had already carried out a programme aimed at reducing the sulphur content in coal in hydropower stations, and, with respect to lignite and new and renewable sources of energy, in order to respond to the Asian energy problems

and development, especially in new and renewable sources of energy, it would develop a network along the lines of the network for safe use of pesticides in Asia.

92. Mr. Clark (United Kingdom) resumed the Chair.

UNIDO ENVIRONMENT PROGRAMME (IDB.10/17, IDB.10/32)

93. Mr. BEHRENS (Deputy Director-General, Department for Programme and Project Development) said that the Board had three environment-related documents before it at its tenth session. The first document was the revised draft medium-term plan (IDB.10/5), which had been prepared before the United Nations Conference on Environment and Development and which included a summary presentation of the environment and energy programme area, which was one of the Organization's priority areas.

94. The second document was entitled "Updated UNIDO environment programme" (IDB.10/17). The General Conference, in resolution GC.4/Res.18, had invited the Secretariat to provide an update of the UNIDO environment programme, taking into account the results of UNCED and of the UNIDO Conference on Ecologically Sustainable Industrial Development (ESID) and the views expressed by the Conference. The content of each of the four subprogrammes of the programme had been reviewed, improved and strengthened. The specific roles of Governments, industry and the international community had been highlighted, as well as the importance of cleaner production and pollution prevention. The role of international environmental agreements related to industry had also been stressed throughout, particularly in regard to the solution of global environmental problems such as ozone depletion, acid precipitation and global warming.

95. The third document (IDB.10/32) was the Organization's statement of intent regarding the international and system-wide follow-up to UNCED. Given the importance of Agenda 21 for development assistance generally and UNIDO's programmes specifically, the Secretariat had decided to prepare an additional document for presentation to the Board.

96. The enormous scope of Agenda 21 called for a careful re-examination of the roles and responsibilities of the agencies of the United Nations system. UNIDO could play a key role in the implementation of major programme areas and chapters of Agenda 21, ranging from integrating environment and development in decision-making and protecting the atmosphere to the sound management of biotechnology, strengthening the role of women, capacity-building and the transfer of technology.

97. In responding to Agenda 21, UNIDO would increasingly analyse the role of business and industry with a view to advocating either the short-term or the long-term profitability of environmental protection through the use of clean or energy-efficient technology and energy conservation in industry. UNIDO would build on its prior experience of pollution prevention through product and process improvement, including plant modernization and rehabilitation. Business and industry in developing countries would be assisted in adopting processes and procedures that reduced demand on resources by industry and generated industrial waste. Transfer of technology, technical cooperation, dissemination of information and demonstration of activities all played important roles in helping developing countries develop industry in an environmentally sound way. Through a variety of programmes and projects, UNIDO would foster the reduction of industrial waste in the production process. The investment promotion activities of UNIDO would play a major role in helping enterprises in developing countries find the financing required for diversification of their products and services into environment-related areas.

98. UNIDO's environment-related activities were increasing significantly. Both IDF contributions and trust fund agreements aimed at promoting ecologically sustainable industrial development had shown a marked increase. On the multilateral front, UNIDO had made its entry into the Global Environment Facility (GEF) with a $5.6 million project in Africa on water pollution control and biological diversity in the Gulf of Guinea. UNIDO had also just signed an agreement with the Interim Multilateral Fund for the Implementation of the Montreal Protocol, to become its fourth executing agency. In another area, UNIDO was launching efforts to focus its expertise on helping to develop the Basel Convention on the Control of the Transboundary Movement of Hazardous Wastes and Their Disposal, which had just entered into force, into a useful tool to manage hazardous waste and toxic substances. The Organization's diverse capabilities and programmes would support the implementation of that Convention.

99. Despite UNIDO's efforts to delineate its role in Agenda 21, the Organization had not been included as a member of the "Core Group" of the Administrative Committee on Coordination's mechanism for system-wide coordination and follow-up to UNCED. The "Core Group" would work in close cooperation with the proposed Commission for Sustainable Development, the intergovernmental body whose creation was under discussion at the General Assembly that week.

100. UNCED had put the global community firmly on the road to sustainable development. UNIDO had the proven capacity to do its share. Development in general, and industrial development in particular, could not be sustained in the long term if the environmental perspectives were ignored. That reality must be addressed in an ongoing policy dialogue with Governments, with others in the United Nations system and with the private sector.

101. Mrs. WIIG (Norway), speaking on behalf of the Nordic countries - Denmark, Finland, Sweden and Norway - said that the political leaders of the world had used the opportunity of UNCED to commit themselves to a new partnership for sustainable development. Their decisions and recommendations had also committed the Member States and Secretariat of UNIDO to continue the process initiated at UNCED by transforming their vision into concrete action within the mandate of the Organization.

102. A basis for that demanding task already existed in UNIDO. The environment programme had been adopted by the General Conference in 1989 and had been implemented and discussed since. The 1991 ESID Conference in Copenhagen had led to the

formulation of UNIDO's input to Agenda 21 and the Organization's contributions to the preparations for UNCED.

103. The Nordic countries were pleased to see UNIDO's timely and swift response to the challenge of UNCED, which was a good start. However, much more needed to be done within UNIDO. Agenda 21 provided a long-term framework and guidance for priorities in the programmes of the international agencies. She hoped that the discussion would give clear guidance to the Organization in its efforts to establish a strategy for ecologically sustainable industrial development.

104. Commenting on the documents before the Board, she said that subprogramme I in the UNIDO environment programme (IDB.10/17) was now well under way, with an important training and awareness-raising programme being implemented. The results of that programme were beginning to appear in the form of special environment programmes and projects now being launched. The Nordic countries appreciated that step as a start, but emphasized that those concerns must be integrated as a matter of course into all programmes and projects formulated in UNIDO.

105. Environmental concerns should not be regarded as just one of many specialties within industrial development at large. The ESID and UNCED deliberations had demonstrated the importance of ensuring environmentally sound development. In that context, the Nordic delegations had been surprised to see that the note by the Secretary-General of the United Nations for the current session of the General Assembly on industrial development cooperation and the diversification and modification of productive activities of developing countries (A/47/535), which they assumed to be based on inputs from UNIDO, contained no reference to environmental issues. She asked for clarification on that point.

106. As the staff gained more knowledge and experience in such matters, the Nordic delegations expected UNIDO to expand further into the substantive subprogrammes of the Environment Programme. Subprogrammes II and III addressed vital concerns, particularly in developing countries. UNIDO had a role to play in cooperation with other relevant United Nations bodies, especially as the centre of excellence in the field of industry. That role included advisory functions at the policy level, training and institution-building, information, demonstration and transfer of cleaner technology processes.

107. UNIDO had an important part to play in implementing Agenda 21. The Nordic countries complimented the Organization on a thorough and well structured response to the UNCED recommendations in document IDB.10/32. It was of particular importance that UNIDO should concentrate on its own defined role on the multilateral scene and avoid overlapping with other organizations. What was needed was a focused and coherent targeting of efforts, which was all the more important as resources for development were becoming scarce throughout the United Nations system. Without a proper strategy for efficient implementation of programmes, UNIDO might find itself lagging behind in the competition for funds.

108. But efficiency must not be understood purely in financial or volume terms. UNIDO, like other agencies, must now seek justification for its activities based on its contribution to the tasks set out in Agenda 21. The Nordic countries had taken a particular interest in re-examining the mechanisms governing the transfer of multilateral assistance. Because the multilateral agencies depended heavily on overheads levied as a percentage of funds transferred, they were volume-focused. There should be far more focus on quality and sustainability; only that could in the long run increase the volume of activities. A thorough evaluation of the sustainability of activities was important, and lessons learned should be fed back into the organizations.

The meeting rose at 6.10 p.m.